

Update of the Truckee City Incorporation
Feasibility Study

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Prepared for:

The Nevada County Local Agency
Formation Commission

The Truckee Incorporation Committee

April, 1986

A. Summary

Incorporation changes local government by transferring from the county to the city responsibility for police protection, road maintenance, planning and zoning, building inspection, animal control, some lesser functions, and the general power of local government. It also transfers certain county and state revenues to the city. It does not affect other county services, nor those of special districts, such as schools and sanitation, unless specifically provided as part of the incorporation.

The proponents of the incorporation of Truckee have indicated their major purposes are to gain local control of development, to improve road maintenance, and generally to represent the needs of the community. Their petition is considered first by the Nevada County Local Agency Formation Commission (LAFCO). It may approve, disapprove or modify the proposal. If approved, the Board of Supervisors holds a hearing to determine whether at least 50% of the voters within the proposed city protest the incorporation. Assuming they do not, there is then an election within the area at which incorporation requires a simple majority for approval. The first City Council is also selected at this election.


This is a fiscal feasibility study and concentrates on estimated city service costs and revenues. It updates a 1983 study by the same consultant, is performed under contract to LAFCO, and is financed by the Truckee Incorporation Committee and the county. It was done in cooperation with county officials. At LAFCO's suggestion, the study considers four separate sub-areas: the Village (Truckee proper); Donner Lake; Tahoe-Donner; and the Prosser-Glenshire area. The study's conclusions and recommendations are the following:

1. Of the four sub-areas, assuming the Village as the core, by itself the Village would have an annual city deficit of \$84,000, due to high overhead. Adding Donner Lake would bring with it a surplus of \$141,000. Adding Tahoe-Donner would include its deficit of \$247,000, due to high road maintenance costs. Adding Prosser-Glenshire would bring in its surplus of \$140,000, due to fines from the relocated state inspection station. Incorporating the total area results in a \$49,000 deficit, which is felt to be tolerable within all of the estimates involved in constructing a budget of \$2,872,000. For example, the state has projected a \$70,000 increase in the sales tax by 1986-7, which has not been included in this analysis.
2. This study therefore concludes that incorporation is fiscally feasible for the Village-Lake area, and for the Village-Lake-Prosser/Glenshire area assuming the inspection station is included. The latter boundaries would leave Tahoe-Donner a county responsibility, which the county may oppose, because it leaves the county with East County urban service responsibilities and few off-setting revenues. In that event, inclusion of Tahoe-Donner would make sense.
3. County service areas have been established in recently-developed areas, notably Tahoe-Donner and Glenshire, to finance snow removal. In older areas snow removal is a county responsibility which would become a city responsibility. It is recommended LAFCO condition the incorporation to leave these service areas in existence. The foregoing fiscal analysis made this assumption. Otherwise, this

specialized local snow removal would be added to city costs. This affects the overall feasibility of incorporation, particularly at Tahoe-Donner. Elsewhere the costs can probably be absorbed by the city. The county administers these service areas and may, under a general policy of cutting back its local services from East County, should Truckee incorporate, urge elimination of these county service areas.

4. The proponents of incorporation have asked for a best/worst case feasibility analysis. This study does not project ranges of possible city costs and revenues, but the following can be noted: costs include an increase in road maintenance services and an above-average snow removal burden; revenues do not project a future sales tax increase. During the LAFCO hearings, other information should become available, particularly a current county analysis, to shed further light on fiscal issues.

In addition, this report does not deal with the fiscal implications of the timing of incorporation, which will also be considered by LAFCO. In general, because the county must continue to provide all normal services (Sheriff, roads, etc.) to the city until the end of the fiscal year during which incorporation occurs, while the city starts receiving most of the revenues noted in this report as of the incorporation date, by the end of that fiscal year the city should have a reserve amounting to around 50% of estimated annual revenues. This can be used as a continuing contingency reserve against some of the unpredictable costs noted in this report, such as wildland fires, liability insurance, and heavy snow removal.



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B. Characteristics of the Four Sub-areas

	<u>Village</u>	<u>Lake</u>	<u>Tahoe- Donner</u>	<u>Prosser- Glenshire</u>	<u>Total</u>
Population	3,106	855	969	1,875	6,805*
Registered voters	1,667	513	577	1,108	3,865
"Official" population	5,001	1,539	1,731	3,324	11,595
Road miles	30	14	59	33	136

*Total East County is estimated at 7,400

Population was derived by analysing the enumeration districts used in the 1980 census in relation to the sub-areas, and increasing the results by 30% to account for subsequent growth. In 1982 the Planning Department estimated the total city population at 6,000. Registered voters were derived from a similar analysis of precincts. Both estimates are roughly consistent with each other in terms of the percentage breakdown of the total, i.e.:

	<u>% of Total Population</u>	<u>% of Total Voters</u>
Village	45.6	43
Lake	12.6	13
T-D	14.2	15
P-G	27.6	29

The "official" population is three times the number of voters. It is used by the state for the purpose of allocating state funds, such as the gas tax, to new cities until the results of the next census are released in 1991-92. Until then, because of this formula, a new city would receive abnormally high state subventions.

C. 1984-85 County Service Costs in Truckee

This analysis covers only those county services for which a city would assume responsibility. It serves two purposes: 1) as a preliminary estimate of the county property taxes to be transferred to the city (the transfer is based partly on county costs the previous year that would be discontinued; the county Administrative Officer will make the final cost determination); and 2) as a starting point in developing a city budget. The 1983 incorporation study had the benefit of a then-current county study of its services and costs in East County, referred to here as the Albaugh Report.

1. Sheriff

Based on the Albaugh Report, 1983 costs in Truckee were estimated at \$760,000. Staffing has not changed since; assuming 15% inflation over three years, current costs would be \$874,000. To divide these costs into the four sub-areas, the distribution of "reports taken," which are recorded by sub-area, is used, as follows:

	<u>% of Total Reports</u>	<u>Cost Result</u>
Truckee	54.8	\$ 478,952
Lake	12.6	110,124
T-D	17.0	148,580
P-G	15.6	136,344

2. Planning

\$41,000 was the earlier estimate, and this service has not substantially changed; increased by 15%, costs would be \$47,149. The simplest, though perhaps not most precise, proration would be by population, namely:

Village	\$ 21,500
Lake	5,941
T-D	6,695
P-G	13,013

3. Building Inspection

\$202,862 was the earlier estimate, and this cost varies with building activity. County-wide, in 1984-85, building permit fees equalled 82% of inspection costs. Fees within the incorporation area in that year were \$157,000, indicating costs of \$192,000.- Single family permits are recorded by subdivision; assuming most non-residential permits were in the Village, these costs are distributed to the sub-areas as follows:

3. Building Inspection (Continued)

	<u>% of Total Activity</u>	<u>Cost</u>
Village	15	\$ 28,800
Lake	3	5,760
T-D	67	128,640
P-G	15	28,800

4. Engineering

This is primarily land use review. Traffic and general engineering are included in road maintenance. Earlier costs were \$29,334 and the service hasn't changed, so adding 15% inflation, current costs are \$33,733. These have been prorated to the sub-areas 50% on population and 50% on road mileage, as follows:

Village	\$ 11,402
Lake	3,862
T-D	9,715
P-G	8,754

5. Animal Control

This service has expanded from one man to two since 1983, and total East County 1984-85 costs were \$68,050. Assuming 85% of these costs are within the larger city boundaries, this would be \$57,842, which, prorated according to population, would be:

Village	\$ 26,376
Lake	7,288
T-D	8,214
P-G	15,964

6. Road Maintenance

Earlier, total costs within the city were estimated at \$335,426, or \$2,485 per mile. 1984-85 East County costs are reported at \$263,226, or \$1,548 per mile. However, it appears that maintenance services provided county-wide, rather than by area, are not included, nor is equipment depreciation. Using a different method of estimating, and using the 1984-85 budget, rather than actual costs, one estimate within the Public Works Department is as high as \$6,180 per mile county-wide for maintenance. This report will use the \$2,485 per mile figure, which was carefully worked out, increased by 15% inflation to \$2,858. Prorated to the sub-areas:

Village	\$ 85,740
Lake	40,012
T-D	168,622
P-G	94,314
	<u>\$388,688</u>

7. Snow Removal

These costs vary considerably from year to year. In 1981-82 they were estimated at \$309,527 for the city area, excluding an allowance for snow removal equipment, which was included under road maintenance costs. The 1981-82 costs equalled \$7,035, per plowed mile. Public Works estimates 1984-85 costs at \$5,775 per mile, stating this is below average due to the mild winter. The 1985-86 budget uses a deliberately above-average figure of \$8,652. Because this report attempts to estimate 1984-85 county costs, the \$5,775 figure will be used. It is applied to the plowed mileage within each sub-area, after subtracting any mileage plowed via county service areas, with the following results:

Village	\$155,925
Lake	80,850
T-D	-
P-G	<u>75,075</u>
	311,850

9. Total County Costs

	<u>Village</u>	<u>Lake</u>	<u>T-D</u>	<u>P-G</u>	<u>Total</u>
Sheriff	\$ 478,952	\$ 110,124	\$ 148,580	\$ 136,344	\$ 874,000
Planning	21,500	5,941	6,695	13,013	47,149
Building Insp.	28,800	5,760	128,640	28,800	192,000
Engineering	11,402	3,862	9,715	8,754	33,734
Animal Control	26,376	7,288	8,214	15,964	57,842
Road Maintenance	85,740	40,012	168,622	94,314	388,688
Snow Removal	<u>155,925</u>	<u>80,850</u>	<u>-</u>	<u>75,075</u>	<u>311,850</u>
Totals	\$ 808,695	\$ 253,837	\$ 470,466	\$ 372,264	\$1,905,263

10. Property Tax Transfer

Under the law, the above county costs are factored by a percentage figure representing the ratio of county property tax revenues to all general county revenues. Three years ago, the auditor/controller determined this ratio was 38.68%, and feels this is still valid. Most LAFCOs exclude road maintenance costs from the calculation, on the theory that roads are not financed by general revenues, and the Nevada County LAFCO is likely to follow this practice. Applying the 38.68% to the above figures, with and without roads, the resulting transfer of county taxes to the city is as follows:

10. Property Tax Transfer (Continued)

	<u>With Road Costs</u>	<u>Without Road Costs</u>
Village	\$ 312,803	\$ 279,639
Lake	98,184	82,708
T-D	181,976	116,753
P=G	<u>143,992</u>	<u>107,511</u>
Total	\$ 736,955	\$ 586,611

By comparison, the 1983 estimate for the total area, with roads included, was \$667,483.

D. County Road Improvement Plans

The 1983 report summarized the county's five-year road improvement program for Truckee. It noted a city should be better able than the county to carry out that particular program, because the projects scheduled for after incorporation was assumed to occur were largely unfunded by the county, whereas a city would receive a separate flow of TDA funds which exceeded what the county planned to spend from that source.

Since then some of the five-year projects have been completed, and the program has been extended three years and revised to propose the following.

1985-1986

Improve Donner Pass Road along the lake at \$1,000,000., financed 91% by federal aid and 9% development fees. This project is in the 1985-86 budget but has been postponed to 1986-87.

Widen Glenshire, from Highway 267 to the subdivision entrance at \$160,000, 90% from federal hazard aid and 10% TDA. The 1985-86 budget includes this project, which is proceeding. (This budget also contains \$267,872 to expand the corporation yard.)

1986-87

Sidewalk repair in the Commercial Row/Bridge Street area at \$110,000. The 1985-86 budget contains \$38,423 for the first phase of this project, financed by TDA.

Guardrail along W. River, near the river and at the Donner Creek Bridge at \$120,000, 90% in federal hazard aid and 10% TDA.

1987-88

Preparation to improve the Glenshire Drive bridge over the Truckee River, at \$30,000 in TDA funds.

1988-89

Glenshire Drive/Truckee River bridge at \$500,000., 80% federal bridge aid and 20% TDA.

1989-90

Improve W. River, Highway 267 to Riverside at \$760,000., 75% in development fees and 25% unfunded.

As before, the program also includes unspecified minor projects throughout the county. Compared to the earlier program, fewer projects are now unfunded. This appears to result from the heavier utilization of federal aid. Development fees in the Truckee area are estimated at \$100,000 annually.

If the above projects are divided into the four sub-areas, the result is:

Village

1985-86: Widen Glenshire (50%) - \$80,000.

1986-87: Sidewalk repair - \$110,000; guardrail - \$120,000.

1989-90: W. River - \$760,000.

Total \$1,070,000.

Tahoe-Donner

None

Lake

1985-86: Donner Pass Road - \$1,000,000.

Prosser-Glenshire

1985-86: Widen Glenshire (50%) - \$80,000.

1987-88: Glenshire Bridge preliminary - \$30,000.

1988-89: Glenshire Bridge - \$500,000.

Total: \$610,000.

E. County Service Areas

There are a number of county service areas in East County. Most were set up to finance snow removal in new subdivisions. One was established in the remaining area to finance solid waste disposal, and this function was at the same time added to the other CSAs.

The 1983 incorporation report discussed the resulting problem - that in older parts of Truckee snow removal was financed by the county and in newer parts by the CSAs - at some length. In particular, the problem was that Government Code Section 25210.90 requires the automatic exclusion of city territory from CSAs. Thus a City of Truckee would have to either absorb the high snow removal costs of the CSAs, or seek a new tax to replace the CSA taxes, which almost inevitably would have to be city-wide, thus applying to areas not now taxed. The 1983 report noted one legally - questionable way to, in effect, continue the CSAs.

Since then a legal way has been found. Government Code Section 54790 (g) authorizes LAFCO "to waive the application of Section 24210.90 if it finds the application would deprive an area of a service needed to insure the health, safety, or welfare of the area's residents."

This report feels that LAFCO can, and should, make such a finding. It would assure a continuation of the present snow removal financing system. This is particularly important to Tahoe-Donner, should it be included in the city. It would also assure a continuation of the present solid waste disposal system, which, according to County Public Works, would be the "cleanest" solution of this issue. Otherwise the East County jurisdiction for this service would be split, and the service itself potentially split. If, at some later date, changes in solid waste disposal responsibilities are desired, the matter can be brought before LAFCO.

Neither control over snow removal in the CSAs, nor over solid waste disposal generally, are among the purposes of incorporation. It is recognized that if LAFCO leaves the CSAs in existence, as recommended, it means a split in snow removal responsibility between the county, administering the CSA areas, and the city administering the balance of the area now plowed directly by the county. It is assumed some sort of joint snow removal program will be worked out for East County, since it will probably be inefficient to have two entirely separate operations. It should be noted the Tahoe-Donner program is now virtually autonomous, and could remain so within the city, and that snow removal in some other CSAs is contracted to private companies, which could continue after incorporation.

To indicate the relative magnitude of the CSA snow removal issue, below the CSA 1985-86 budgets are set forth by sub-area. Where the parcel charges are relatively low, it is due to large carry-over balances.

<u>Village</u>	<u>Costs</u>	<u>Parcel Charges</u>	<u>Taxes</u>	<u>State Reimbursement</u>
CSA 5 (Olympic Heights)	\$ 10,180	\$ 1,149	\$ 2,318	-
CSA 6 (Biltz Tract)	2,581	1,011	1,567	-
CSA 8 (Biltz #5)*	5,032	3,971	-	-
CSA 10 (Martis Valley)	5,137	2,535	43	-
CSA 11 (Ponderosa Palisades)	5,954	1,627	3651,105	
Totals	\$ 28,884	\$ 10,293	\$ 4,293	\$1,105

<u>Lake</u>				
CSA 19 (Donner View)	865	199	-	184

<u>Tahoe-Donner</u>				
CSA 4	876,136	111,506	277,553	146,482

<u>Prosser-Glenshire</u>				
CSA 9 (Glenshire)	96,880	63,265	-	16,830

* also provides road maintenance

A result of the above is the relative unimportance of the CSAs for snow removal financing in the Village and Lake areas, and their importance in the Tahoe-Donner and Prosser-Glenshire. In the former two areas, elimination of the CSAs would not significantly affect the feasibility of incorporation. If they were eliminated, the city would inherit their property tax revenues. In such an event, in order to preserve the integrity of the East County solid waste disposal program, LAFCO should annex the territory of these CSAs to CSA #7, which provides that service in the balance of the area. In addition, CSA #8, which provides road maintenance not provided by the county (\$4,000 in this year's budget) should probably be kept in existence for that purpose.

Wildland Fire Protection

The Truckee Fire District has expressed concern that incorporation could have an adverse service and financial impact on the district. It is highly unusual for incorporation to affect a local fire district; normally, it simply keeps on providing protection to its area, including the territory that has become incorporated. What is unusual at Truckee is that all but the central built-up portion of the community, and any national forest parcels are included within the boundaries of the area for which the state has assumed responsibility for wildland fires. Most cities -- Los Angeles and San Diego are the major exceptions -- contain no wildland fire areas. The law requires the automatic exclusion of any city territory from the state-responsibility area. This section attempts to analyze the implications of incorporation within this framework. The major points are:

1. Because most of the area is in the Tahoe National Forest, rather than set up its own system the state has contracted with the Forest Service to protect the state-responsibility (that is, non-national forest) lands within the area against wildland fires. The Forest Service is unwilling to sign a similar contract with a city to protect the lands automatically withdrawn from the state-responsibility area as a result of incorporation, because it does not contract with local agencies.
2. Fighting wildland or non-structural fires is substantially different from fighting the structural fires local agencies are oriented to. Training and equipment are different. Wildland fires are seasonal, requiring hired seasonal personnel, while structural fires are year-around. Large wildland fires may be prolonged, and may require a costly commitment of specialized resources, such as tanker planes, contract fire-fighters, bulldozers and hand-crews to cut breaks in difficult terrain. The state and federal governments are prepared to absorb such unpredictable costs; local agencies, at least small ones, are not. Local agencies like the Truckee district usually rely heavily on volunteers, and most structural fires are brief, not unduly tying up the time of volunteers or running up unexpected costs.
3. These distinctions, and the importance of the precise state-responsibility boundary, are softened by mutual aid, under which either party assists the other in fighting fires when requested, regardless of jurisdictional lines. In fact, the Truckee district may make the first response to what is technically a small non-structural or wildland fire, with the Forest Service then taking over. A major concern of the district is at what point a wildland fire within the proposed city might require assistance going beyond mutual aid, which is defined as an equal, short-term exchange of direct services. At what point, in other words, would the district have to start contracting for the specialized services noted above, or not receive them. It is not possible to define that point. No comparable cities and therefore track record, seems to exist, although Los Angeles and San Diego do have contracts with the state for specific wildland services. It would also be up to the state to decide when mutual aid was exceeded in an actual fire and services became billable or were discontinued. No state policies on this question have been found although as a general rule fire agencies reserve most of their resources for their own responsibilities.
4. It is the policy of most fire agencies to fight outside fires which threaten their territory. This is particularly true of potential wildland fires and the state response to them. It involves the concept of natural units of wildlands, which

may overlap city boundaries. The portion within a city is termed a "threat zone," and the state will respond to wildland fires there on its own responsibility. In further defining what this means, state officials say they would automatically respond, at no cost to the local agency, to a wildland fire within a city that was surrounded by state wildlands, or to a city wildland fire across the road from state wildlands. If the wildland fire within a city were far removed from state wildlands, they would respond if called under mutual aid, but any extended services might be billed. The only known examples of this are within the cities of Los Angeles and San Diego.

Within the Truckee area, it appears that any large wildfire would involve state-responsibility, as well as city, territory, and that the state would take responsibility. There appear to be a number of small, isolated underdeveloped parcels within the general area, now protected by the state, where wildland fires would not be considered a threat to areas outside the city. After incorporation the state (that is, Forest Service) would respond under mutual aid, but the responsibility, and cost, for protracted fire-fighting, mop-up, investigation and reporting, would fall on the district.

This analysis therefore concludes that incorporation will result in unknown but minor increases in fire district responsibilities and costs. As mitigations, it suggests:

a) Boundaries that minimize the inclusion of wildlands, noting that the Tahoe-Donner and Prosser-Glenhire sub-areas unavoidably have higher risks than the other two; and
b) that there be a gentlemen's agreement (possibly enforceable by law, due to a fire district's limited responsibility for wildland fires) that the city pay for any extraordinary district costs in fighting wildfires. More radical solutions do not appear justified by the risks. They included: a) A LAFCO condition that the city territory be withdrawn from the district (the city would then either form its own department, which would be disruptive, or contract with the district); b) a special legislative bill continuing the state's responsibility within a city of Truckee, which would be conjectural and time-consuming; or c) LAFCO disapproval of incorporation. Unless LAFCO has other reasons for disapproving incorporation, this by itself-the potential impact on the fire district -- does not appear to be adequate.

After incorporation it would also be desirable for the city and district to instigate a "fuel management" program to reduce the actual risk of wildfires.

G. Liability Insurance

Within the last year or so, liability insurance for cities, as well as for other public and private entities, has become much more expensive, and in some uses impossible, to obtain. A discussion with insurance brokers serving many cities indicates a number of reasons for this situation, as well as a divergence as to its seriousness. Among the reasons, particularly in California, are court decisions narrowing the immunity of cities and expanding the "joint and several" concept - the "deep pockets" principle that if major defendants can't pay the damages, then minor, but financially able, ones can be required to do so. There are other equally important causes: underwriting losses from inadequate earlier premiums; a decline in the interest on invested funds; and a decline in these funds themselves, limiting the amount of insurance a company can issue.

There is also a new problem for the entire industry, that of health problems, particularly those that are job-related, that may take years to materialize. This is typified by the Johns-Manville asbestos cases, which nearly bankrupted both that company and its insurers. In this connection, a policy may be written on an "occurrence" basis, which would cover a claim made years after the occurrence, or on a "claims made" basis, which covers only those claims actually made during, or within 60 days of the end of the policy period. The latter would leave the insured liable for any claims made subsequently, although there are ways of buying insurance against this.

Two brokers represent the range of views as to whether Truckee could obtain insurance. One feels no new city can, and that things will have to get worse before they can get better. He feels a reversal of recent court decisions is essential, and also that the June "deep pockets" ballot measure will not help much. This is because most of the claims that have caused the problem are not large "pain and suffering" jury awards, but thousands of relatively small claims, often settled out of court, where "joint and several" would still apply.

The other feels Truckee would have a "good chance." He is aware of investor groups coming back into what may, due to the vacuum, have become an attractive market. They serve as "re-insurers," for example, taking everything over \$5 million. Lloyds of London is an example, and was badly hurt by Manville. Up to the, say, \$5 million would be handled by direct insurance, by a pool of governmental agencies, or by self-insurance. Policies would be written on a "claims made" basis. He feels small cities, particularly those not near other cities, have an advantage. He says an insurer would want to see good city management, and would pay attention to the "style" of the community. By this is meant whether it is an impersonal place, or a personal place where a resident might feel embarrassed to sue the city.

There is also the tourist and snow element. Mammoth Lakes has been incorporated for over a year, pays under \$100,000 for insurance (this came just before the present crunch), and so far has had no claims. While claims against Nevada County from Truckee have not been researched, it is said most of them have been for property damage related to snow removal.

Checking with the most recent incorporation in the state, Orinda, in Contra Costa County, reveals that in the summer of 1985 it was able to acquire coverage for \$1 million, no deductibles, for \$45,000. That city has been advised by Marsh and McLennan, a large San Francisco broker, that by mid 1987 investors should be back in

the insurance market. That firm is also considering forming a state-wide insurance authority of public agencies, financed by certificates of participation (a form of borrowing) or a revenue bond issue. Under this kind of scheme, which is also being considered by some of the existing joint powers or pooled intergovernmental insurance arrangements, annual insurance premiums would go to underwrite a borrowing sufficient to cover the major risks of the members.

H. Proposed City Services and Annual Costs

1. Introduction

In contrast to other sections of this report, this section assumes the Village as the minimum incorporation area. It, therefore, estimates a core, a basic, organization for that area. It will be relatively inefficient, due to the area's small size. Conversely, the added service costs to extend services to each of the other sub-areas will be less than proportional to the added population, due to economies of scale. This is particularly true of General Government and Planning, and to a lesser extent Police.

2. General Government

Where the 1983 incorporation feasibility report is referred to, it should be kept in mind it was for the entire area. The 1983 report proposed staffing of a Manager and three clerks and total costs of \$214,000. For the Village this report proposes a Manager and 2.5 clerks. It would add half a clerk for each of the sub-areas. Liability insurance, discussed elsewhere in this report, is a current problem, and the 1983 report's \$40,000 should be increased to \$100,000 for the Village, plus \$20,000 for each sub-area. Total costs are estimated as follows:

Village	\$ 300,000
Lake	40,000
T-D	40,000
P-G	40,000

3. Police Protection

The 1983 report proposed a contract with the Sheriff for 18 officers at \$800,000. For the Village, this report proposes a force of 12 officers, enough for two men around the clock, plus supervision and investigation. This could either be contracted from the Sheriff or be a separate department. A separate department entails start-up costs - vehicles and equipment, and employment prior to actual take over of services - that a contract would not. It would also involve on-going office and other administrative costs that a contract would not. On the other hand, a separate department's salaries and fringe benefits would probably be lower than those under a contract, since generally these costs are higher for Sheriff's departments than they are for small cities. It is assumed that a separate department would utilize the Sheriff's dispatching system (the Sheriff has agreed to this), rather than set up a separate system, which would be costly. The principal difference between a contract and a separate department is not city costs, but the advantages of one large East County police unit versus two small ones. Either way, city manpower and costs are estimated as follows:

	<u>Officers</u>	<u>Costs</u>
Village	12	\$ 613,200
Lake	2	102,220
T-D	2.5	127,775
P-G	2.5	127,775

The total is 19 officers for the entire area, rather than the 18 estimated in 1983. This occurs for two reasons: growth since then; and the fact 18 officers represent the number the Sheriff now devotes to the incorporation area. After incorporation, responsibility for traffic enforcement on local streets will also have to be assumed, and the CIP estimates the equivalent of at least one officer is now involved in this service. It should also be noted the Sheriff now assigns an officer to parking enforcement from April to October. Incorporation would relieve the department of this responsibility, and the city would probably handle it with non-sworn personnel.

4. Planning

A basic planning unit, to meet community concerns with this service, would require a full-time professional, plus back-up assistance. The 1983 report estimated \$55,000 in costs, compared to then county costs of \$41,000. For the Village area, this report assumes a planner, using back-up assistance from the Manager's office, at a cost of about \$50,000. Each additional sub-area would require an increment of secretarial and technical (possibly consulting) assistance, and other costs. The services required, and their costs, will depend in large measure on whether, at the minimum, the city wants to merely administer existing ordinances, or on the other hand, to modify the general plan and the ordinances, which will require extensive studies and administrative work. A full-blown effort could reach a level of around \$150,000 annually. Short of that, cost estimates are:

Village	\$ 50,000
Lake	10,000
T-D	25,000 (due to rapid growth)
P-G	15,000

5. Engineering

This was estimated at \$20,978 in 1983, and involves the review of development applications. The city could handle it through a contract with the county or private firms, or conceivably through a city-employed engineer. The costs and fee revenues, vary with the workload; which in turn is based on subdivision or other land development applications. Cost estimates are, therefore, the same as those used for 1984-85 county costs, namely:

5. Engineering (Continued)

Village	11,402
Lake	3,862
T-D	9,715
P-G	8,754

6. Animal Control

Costs will use the 1984-85 county costs, namely:

Village	\$ 26,376
Lake	7,288
T-D	8,214
D-G	15,964

It should be noted that if the incorporation includes most of Truckee, the animal control officer will recommend that animal control in East County be turned over to the city, much as it has been in the balance of the county. In that event the county would pay the city for serving areas outside the city. Earlier, total costs were estimated at \$68,050 in 1984-85, of which \$10,208 would be outside the largest city boundaries.

7. Building Inspection

This service could be provided directly by the city, or contracted from the county. Either way, costs should be close to 1984-85 county costs, namely:

Village	\$ 28,800
Lake	5,760
T-D	128,640
P-G	28,800

8. Road Maintenance

Present county road maintenance costs were set forth earlier. The 1983 incorporation report assumed a city would want to substantially upgrade the county level of maintenance. If the same degree of upgrading were applied today, the cost results would be:

	<u>1984-85 County Costs</u>	<u>Proposed City Costs</u>
Village	\$ 85,740	\$ 139,000
Lake	40,012	65,000
T-D	168,622	273,000
P-G	94,314	153,000

Again, the question arises of whether this service would be provided by county contract, by the city, or by a mixture of city forces and private contractors. There are advantages to a single city-county road maintenance function in East County. If the city were to provide the service on its own, there would be start-up costs for acquiring facilities and equipment, as well as on-going additional overhead costs. This raises the question of whether LAFCO should attach, as an incorporation condition, the transfer of county facilities and equipment to the city.

In recent years, several smaller new cities have used a concept of a small city staff of, say, three workers, to handle small, labor-intensive tasks that may be needed year-round. These include pavement patching, ditch and culvert cleaning and repair, sign replacement, etc. Rather than establish a larger staff, directly or by county contract, for the more seasonal and specialized services, they contract with private enterprise on an as-needed basis. This includes overall engineering management, the development of a preventive pavement maintenance program, resurfacing, striping and other traffic signing, bridge maintenance, etc. This is not markedly different from the traditional county and city programs, except that it minimizes the employment of permanent staff and maximizes the batching of work that can be scheduled in advance and done by private contractors.

If a separate city department is established, this approach is recommended. Truckee could utilize private sector resources available in the Reno area, and from recent experience elsewhere costs should not be higher than present county costs. Firms providing overall engineering management for recently-incorporated Bay Area cities, would be interested in providing such services to Truckee.

Snow Removal

Present costs were set forth earlier. As with roads, there is an important question of whether this service will be divided into county and city operations, or continued as a single operation with one or the other agency the provider under contract. There are obvious advantages to the single operation though, as noted earlier, the Tahoe-Donner service is already virtually autonomous, and the county contracts with private enterprise to plow certain of the CSAs. As with roads, the question of transferring snow removal facilities and equipment to the city is also raised.

If the city were to provide its own snow removal separately, it becomes involved in the way in which road maintenance is provided. In the absence of a resolution of these questions, city costs are estimated on the basis of the deliberately above-average 1985-86 county budget figure of \$8,652 per mile:

Village	\$ 233,604
Lake	121,128
T-D	-
P-G	112,476

If the small CSAs in the Village and Lake were dissolved, these costs would increase about \$30,000.

10. Total City Costs

	<u>Village</u>	<u>Lake</u>	<u>T-D</u>	<u>P-G</u>	<u>Total</u>
General Government	\$ 300,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 420,000
Police	613,200	102,220	127,775	127,775	970,970
Planning	50,000	10,000	25,000	15,000	100,000
Engineering	11,402	3,862	9,715	8,754	33,733
Criminal Control	26,376	7,288	8,214	15,964	57,842
Building Insp.	28,800	5,760	128,640	28,800	192,000
Road Maintenance	139,000	65,000	273,000	153,000	630,000
Snow Removal	<u>233,604</u>	<u>121,128</u>	<u>-</u>	<u>112,476</u>	<u>467,208</u>
Totals	\$ 1,402,382	\$ 355,258	\$ 612,344	\$ 501,769	\$ 2,871,753

Total costs are somewhat less than in the 1983 report because CSA snow removal and solid waste costs (and revenues) are omitted.

1. Estimated City Annual Revenues and Cost/Revenue Balance

1. Property Tax

The transfer of this revenue from the county was earlier estimated as follows, excluding road costs:

Village	\$ 279,639
Lake	82,708
T-D	116,753
P-G	107,511

This revenue would be about \$4,000 larger in the Village area if the CSA's are eliminated.

2. Sales Tax

The State Board of Equalization records show 1985 local sales tax collections as follows:

Village	\$ 421,910
Lake	192,710
T-D	10,910
P-G	10,460

The state projects a 12% increase for 1986-87.

3. Lodging Tax

In 1983 this revenue was estimated at \$61,962, a large increase over earlier years. Since then the county has increased the tax rate from 5% to 8%, and has sought to register more of the individual property owners who rent out their houses on a short-term (less than 30 days) basis. As a result, and due to recent hotel-motel development, this revenue has taken another increase. A review of county collection records for the calendar year 1985 reveals that hotels and motels generated \$140,389 in The Village and \$41,121 at the Lake. In addition, real estate management firms generated \$38,432 from rentals, and owner-managed rentals generated \$21,517. Both figures are for the entire East County. Incidentally, a total of 145 owner-managed rentals made payments, for an average \$148.

To prorate this total of \$59,949 to the sub-areas, to be precise would require the physical location of each dwelling unit, which would in turn require a check of individual assessor's parcel numbers, a lengthy procedure. As a short cut, this study checked with some of the real estate management firms as to the overall distribution of rental units. The results are as follows:

	<u>Percent</u>	<u>Revenue</u>
Outside the incorporation area	5	\$ 2,997
Village	5	2,997
Lake	25	14,987
T-D	60	35,969
P-G	5	2,997

Thus the total distribution of the lodging tax is:

Village	143,386
Lake	56,108
T-D	35,969
P-G	2,997

7. Business License Tax

It is assumed this tax will equal 7% of the sales tax, or \$30,800 for The Village, \$10,500 for the Lake, and \$700 for T-D.

5. Building permits

These are assumed to amount to 82% of building inspection costs, which is the present county experience:

Village	\$ 23,616
Lake	4,723
T-D	105,485
P-G	23,616

6. Snow removal reimbursements

For cities, the state reimburses 50% of costs above \$5,000. Assuming this deductible applies to the Village, the results are:

Village	\$ 114,302
Lake	60,564
T-D	--
P-G	56,238

7. Engineering fees

These are estimated to equal service costs, namely:

Village	\$ 11,402
Lake	3,862
T-D	9,715
P-G	8,754

8. State Subventions

These are based partly or entirely on population. In addition, the state assumes, until the next census, that the population of a new city is three times the number of registered voters. As a result, Truckee, like most new cities, will receive a windfall until 1991. The subventions are calculated as follows: motor vehicle licenses, \$30.25 per capita; gas tax, \$13.70 per capita, plus \$4,000, plus \$1,000 if population is less than 5,000, \$2,000 if population is 5,000 - 10,000, and \$3,000 if over 10,000; and cigarette tax, \$1.50 per capita plus 1.5 % of sales tax. As a result, revenues are estimated as follows:

	<u>Until 1991</u>	<u>After 1991</u>
Village*	\$240,424	\$154,297
Lake	72,839	41,751
T-D	78,838	44,205
P-G	151,233	85,376

*The gas tax flat amounts are included here.

9. Property Transfer Tax

This revenue is based on the rate of new construction and re-sales. A rough current estimate is:

Village	2,000
Lake	1,000
T-D	8,000
P-G	2,000

10. Traffic Fines

Within the Truckee Judicial District fines have increased from \$277,000 three years ago to \$530,000 a year ago (the most recent report available). This was expected, due to increasing CIP enforcement at the inspection station, and will increase much more with the new station. The court estimates that 67%

(\$355,100) of the fines are from the station, 5% (\$26,500) from local roads, and 28% (\$148,400) from the freeway.

Proportioning the freeway fines by road mileage, the result is: Outside city, \$84,800; Village, \$21,200; Lake, \$21,200; and Prosser-Glenshire, \$21,200. Proportioning the local road revenue by general activity, the result is: Outside city, \$2,650; Village, \$10,000; Lake, \$5,000; T-D, \$5,000; and P-G, \$3,850.

After incorporation 78% of the above revenues would go to the city. Assuming relocation of the inspection station to Prosser-Glenshire, the result is:

Village	\$24,336
Lake	20,436
T-D	3,900
P-G	296,517

Traffic fines may be used only for traffic safety purposes, which include road, signal and lighting safety improvements, and police equipment but not salaries. If a City of Truckee includes the inspection station, the budget should reflect these constraints.

Recent legislation permits individual counties and the state to use alternative means of financing local courts. It is conceivable that traffic fine revenue could be diverted for this purpose at some time in the future.

11. Franchises

These are for private electric utility and cable TV companies, based on 2% of gross sales, and amount to a switch from the county to the city. The 1983 report estimated \$24,358 for the larger city area. Current data from the Tax Collector's office indicate a somewhat smaller amount, \$20,000, which, distributed on a population basis would be:

Village	\$9,132
Lake	2,514
T-D	2,849
P-G	5,512

12. Federal revenue-sharing

This program will probably be discontinued, and is no longer considered a revenue item.

13. TDA

These are road revenues received by the county, and distributed between the incorporated and unincorporated areas according to population. The current amount is \$17.40 per capita, which would result in:

Village	\$54,044
Lake	14,877
T-D	16,861
P-G	32,625

It should be noted the first priority for these funds is public transit, and the 1983 report recommended a \$12,000 allocation to expand the transit service of the High Sierra Senior Citizens. The balance must be spent on roads.

14. Miscellaneous

This includes interest, planning and zoning fees, etc., and is estimated as follows:

Village	\$50,000
Lake	5,000
T-D	10,000
P-G	10,000

15. Total City Revenues

	<u>Village</u>	<u>Lake</u>	<u>T-D</u>	<u>P-G</u>	<u>Total</u>
Property Tax	\$ 279,639	\$ 82,708	\$ 116,753	\$ 107,511	\$ 586,611
Sales Tax	421,910	192,710	10,910	10,460	635,990
Lodging Tax	143,386	56,108	35,969	2,997	238,460
Business License Tax	30,800	10,500	700	-	42,000
Building Permits	23,616	4,723	105,485	23,616	157,440
Snow Reimb.	114,302	60,564	-	56,238	231,104
Engineering Fees	11,402	3,862	9,715	8,754	33,733
State Subventions					
Until 1991	240,424	72,839	78,838	151,233	543,334
After 1991	154,297	41,751	44,205	85,376	325,629
Property Transfer	2,000	1,000	8,000	2,000	13,000
Fines	24,336	20,436	3,900	296,517	345,189
Franchises	9,132	2,514	2,849	5,512	20,007
TDA	54,044	14,877	16,861	32,625	118,407
Miscellaneous	50,000	5,000	10,000	10,000	75,000
Totals					
Until 1991	\$ 1,404,991	527,841	399,980	707,463	3,040,275
After 1991	1,318,864	496,753	365,347	641,606	2,822,576

16. Cost/Revenue Balance After 1991

	<u>Village</u>	<u>Lake</u>	<u>T-D</u>	<u>P-G</u>	<u>Total</u>
Costs	\$1,402,382	\$ 355,258	\$ 612,344	\$ 501,769	\$ 2,871,753
Revenues	1,318,864	496,753	365,347	641,606	2,822,576
Net	- 83,518	+ 141,495	- 246,997	+ 139,837	- 49,177

These fiscal projections are merely a consultant's best guesses. A real city might follow different service/cost policies, or encounter different service demands. For example, it might not increase road maintenance levels, as assumed, or might not have the higher snow removal costs assumed. Its sales tax revenues might increased by 12% annually, which is not assumed here.

The division of Truckee into sub-areas is also fiscally revealing. The Village alone would have a hard time, due to the high overhead costs of a small city. The addition of Donner Lake would correct this. Tahoe-Donner is a loser, due to both extensive road mileage and maintenance costs, and low city revenues. This is true, even if as assumed, that area continues to pay for its snow removal. Prosser-Glenshire would be similar, except for the projected fine revenue from the relocated state inspection station.

Nevada County may urge that a City of Truckee virtually eliminate county local service responsibilities in East County. This would mean the larger incorporation boundaries, including both the deficit areas (Tahoe-Donner) and the pluses (the relocated inspection station). Cognizant of that possibility, which coincides with earlier studies by this consultant, it is recommended, from a fiscal viewpoint, that the incorporation boundaries be either:

- 1) The Village - Lake area, or
- 2) The entire area. Though, in terms of city fiscal feasibility, a boundary including Prosser-Glenshire and the inspection station, and excluding Tahoe-Donner, would be most feasible, to the county and LAFCO the exclusion of urban areas and costs, for purely city fiscal reasons, would not be desirable.



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